

**Performance Evaluation of the  
Savings and Credit Cooperative League of South Africa  
(SACCOL)**

(USAID/SA Grant Agreement No. 674-0312-G-SS-4114-00, as amended)

**EVALUATION REPORT**

Prepared for & Submitted to:  
**United States Agency for International Development**

By:  
**Keith Cattell**  
**Bruce Boaden**  
Department of Construction Economics & Management  
University of Cape Town

18 March 1999

**Macro International, Inc.**  
**USAID/SA Performance Monitoring & Evaluation (PME) Project**  
**Contract No. 674-0318-C-00-6091-00**

## Table of Contents

Acknowledgements

Executive Summary

1.	Introduction .....	1
1.1	Evaluation Purpose .....	1
1.2	Methodology .....	1
2.	Background .....	1
3.	USAID's Assistance Approach .....	2
3.1	Purpose .....	2
3.2	Objectives .....	2
3.3	Self-sufficiency Program .....	2
3.4	Implementation Plan .....	2
3.5	Self-sufficiency Targets .....	4
4.	Summary of Main Findings and Recommendations of the Ebony Report .....	4
4.1	Organisational and Strategic Issues .....	4
4.1.1	Core Business .....	4
4.1.2	Management Information Systems .....	4
4.1.3	Membership .....	5
4.1.4	Portfolio Performance .....	5
4.1.5	Management and Staffing of SACCOs .....	5
4.1.6	SACCO-SACCOL Relationship .....	6
4.2	Training and Development Issues .....	6
4.2.1	Human Resources Policies .....	6
4.2.2	Training and Development Strategy .....	6
4.2.3	Training and Development Personnel .....	6
4.2.4	Training Materials .....	6
4.2.5	Training Budget .....	7
4.3	Marketing and Promotion Issues .....	7
4.3.1	Products .....	7
4.3.2	Product Support .....	7
4.3.3	Interest Rates .....	7
4.3.4	Market for SACCO Products .....	7
4.3.5	Market for New SACCOs .....	7
4.3.6	Competitors .....	7
4.3.7	SACCO Understanding of Marketing and Promotion .....	7
4.4	Ebony Recommendations .....	8
4.5	Significance of the Ebony Recommendations to the Current Evaluation .....	10
5.	Findings .....	11
5.1	Changes in the Organization of SACCOL .....	11
	Degree of Conformance with Intended Results .....	11
	Discussion .....	11
5.2	Achievements .....	12
5.2.1	Overall performance .....	12
	Degree of Conformance with Intended Results .....	12

	Discussion .....	12
5.2.2	Training and Development .....	12
	Degree of Conformance with Intended Results .....	13
	Discussion .....	13
5.2.3	Marketing and Promotion .....	13
	Degree of Conformance with Intended Results .....	13
	Discussion .....	13
5.2.4	Monitoring System .....	14
	Degree of Conformance with Intended Results .....	14
	Discussion .....	14
5.2.5	Special Projects .....	15
	Degree of Conformance with Intended Results .....	15
	Discussion .....	15
5.3	Non-achievement of Intended Results .....	15
5.4	Compliance with Agreement .....	15
5.4.1	Rate of Progress .....	15
5.4.2	Deviation From Conditions of Agreement .....	15
5.4.3	Results of Trainee Impact Assessment Survey .....	16
6.	Growth Plans and Feasibility .....	17
7.	Unanticipated Consequences .....	18
8.	Lessons Learned .....	19
9.	Conclusion .....	19
10.	Recommendations .....	20
12.	References/Bibliography .....	20

#### ANNEX A : EVALUATORS' SCOPE OF WORK

#### ANNEX B : SYNTHESIS : RESULTS CONTRIBUTION TO SO6 RP#2 AND SO6

#### List of Tables

Table 1: Projected Self-sufficiency Targets 1994-1999 .....	4
Table 2: Projected SACCO Growth - 1998 to 2002 .....	18

## **Acknowledgements**

We would like to thank all those individuals listed below who so willingly participated in our interviews and discussions and whose insights and candidness proved to be invaluable in the compilation of this report. In particular we are indebted to David de Jong for his assistance.

We are also indebted to Ebony Consulting International (Pty) Ltd. for allowing us permission to borrow from their comprehensive 1997 evaluation report on SACCOL.

David de Jong, SACCOL General Manager

Victor Botha, CME SACCO General Manager and SACCOL Board member

Joel Kolker, USAID

Jackie Otto, Catholic Based SACCO General manager and SACCOL Board member

Harriet Stewart, MASSCO SACCO General manager and SACCOL Board Member

Various anonymous SACCO Board members who participated in the telephonic interviews

## Executive Summary

The Savings and Credit Co-operative (SACCO) movement was first started in South Africa in the 1940's, but by 1960 it had effectively been eliminated by the Apartheid government. SACCOs re-emerged in the 1980s, primarily due to the efforts of the Catholic Church, and by 1993 had led to the founding of the Savings and Credit Co-operative League of South Africa (SACCOL) - an umbrella organisation with the primary purpose of providing member SACCOs with technical assistance, education and training, and national representation. In August 1993 SACCOL's Board formulated and adopted a self-sufficiency program, the main thrusts of which were to: consolidate member SACCOs; reduce operating costs; target the growth of workplace SACCOs; provide development funding to support the growth of SACCOs; become involved in special projects.

In 1994 SACCOL was awarded a USAID Grant of \$1.3 million (R4 095 000) to "pay salaries and support costs for the delivery of essential services to SACCOs and to realise self-sufficiency". It was envisaged, in terms of targets set by SACCOL, that self-sufficiency would be realised within three years, hence the term of the Agreement was initially from April 1994 to March 1997 (this was extended under Amendment 1 to March 1998).

The purpose of this report is to evaluate SACCOL in terms of its performance against the conditions of the USAID Grant Agreement. The method adopted for the evaluation involved a thorough review of documents and interviews with key players. Based on the information gathered from these sources, we compared SACCOL's actual performance with its stated objectives and targets as stipulated in an implementation plan contained in the Grant Agreement. Our main findings were as follows:

SACCOL failed to attain its primary goal of 100% self-sufficiency by the expiry of the Agreement in March 1998. Confirmed figures for February 1998 put the level at 10% - notwithstanding the fact that the target of approximately 20 SACCO members had been attained - with members' total assets valued at R7.8 million, well below the target of R20 million. The potential inevitability of this result was highlighted in early-1997 in an internally commissioned evaluation/ strategic review report by Ebony Development Alternatives which clearly defined problems and recommended various remedial actions.

SACCOL underperformed in terms of its obligation under the USAID Agreement to develop training and education programs. The Ebony report indicated that this was as a problem area and made recommendations in respect of training policy, budget, staffing and management, and types of training materials that needed to be developed. However, because responding to these recommendations would have involved an increase in expenditure, and therefore a decline in its level of self-sufficiency, SACCOL did relatively little in this regard. In fact SACCOL argues that, because no specific line item was provided for training expenditure in the Agreement's Financial Plan, it had neither the obligation nor the liberty to incur such expenditure. USAID rejects this position, arguing that the management of training and the development of training materials could have been undertaken in-house and paid for under the line item allowing for the compensation of SACCOL staff.

SACCOL failed to implement its planned "special projects" initiative, the focus of which was to establish new SACCOs in areas noncrucial to its self-sufficiency strategy. The main reason given for this was that donor funding required for the operation could not be secured.

SACCOL's self-sufficiency Implementation Plan included the strategy of improving its management systems through the: re-organisation of its management structure; re-training of staff; and establishment of effective reporting and communication systems. This was partially achieved, but the effect of downsizing from 13 to 6 staff members (4 in the Western Cape Head Office and 2 in Gauteng) effectively made it impossible to implement all of the components of this strategy.

SACCOL performed reasonably well regarding its goal of promoting the growth of workplace SACCOs. Outputs included the production of a promotional video, a variety of pamphlets, newsletters and advertisements, and the presentation of seminars. However, the promotional campaign failed to stimulate sufficient growth to significantly improve SACCOL's level of self-sufficiency.

SACCOL was required in terms of the agreement to introduce an effective monitoring system. This was achieved through the introduction of appropriate software systems to all SACCOs and the adoption of the Five-Star and PEARLS monitoring systems.

With the benefit of hindsight, it is clear that the self-sufficiency targets set by SACCOL were unrealistic. Equally clear is the fact that the organisation was not managed very efficiently during the first two-and-a-half years of the term of the Agreement. It might be unreasonable to suggest that these factors could have been foreseen, but they serve to illustrate the importance of USAID ensuring in future that its grant agreements contain attainable performance targets and that managers of grantee organisations have proven track records.

Our main conclusion is that this was not a worthwhile venture for USAID. Over the period August 1994 to March 1998, the Grant of \$1.3 million (about R5.2 million at the weighted average exchange rate) resulted in an increase in SACCO membership of approximately 2 300 individuals (as opposed to the projected 24 250) and growth in the value of total assets of approximately R5.4 million (as opposed to the projected R21.8 million). Thus the ratio of the cost of mobilising savings to the value of savings mobilised was about 1:1, or it cost about R2 300 per individual to mobilise savings of an average of R2 300 per individual. The prospect of SACCOL radically improving its level of self-sufficiency in the short term appears limited and will undoubtedly be exacerbated by the economic downturn that the country is presently experiencing, in that the employment rate and the propensity for people to save is decreasing.

We recommend that SACCOL should devote itself to following the recommendations of the Ebony report. In particular: interest rates on loans should be increased; management information systems should be improved; SACCO membership should be extended beyond that of employees at the workplace; the management of SACCOs should be improved; training and development activities should be improved, expanded and placed under the control of a dedicated training manager; a dedicated training budget should be established; a medium-term human resources development strategy should be introduced; the product range should be broadened; support for existing products should be improved; and a strong marketing strategy should be developed. However, much of this will clearly be unachievable unless ongoing donor funding is secured from a source other than USAID.

## **1. Introduction**

### **1.1 Evaluation Purpose**

This report documents the results of an evaluation of the Savings and Credit Cooperative League of South Africa (SACCOL). The main objective of the evaluation was to compare SACCOL's progress to date relative to its stated goals and to those of the SO6 Team.

A second objective was to synthesise the achievements of SACCOL in relation to SO6 RP#2 and to SO6 in general.

### **1.2 Methodology**

*Document review:* A careful study of the main Agreement and one amendment was undertaken in order to establish the main purpose and objectives of the grant. In addition to these documents, we obtained via USAID or SACCOL, copies of internal semi-annual reports and the final reports on the project and studied these. Further, we studied copies of two other evaluation reports prepared, respectively, by Ebony Development Alternatives (Pty) Ltd. and the World Council of Credit Unions/Louisiana Credit Union League.

*Interview with CUSSP Official:* A meeting was held in Pretoria with Russell Hawkins, the CUSSP official and Joel Kolker, USAID official responsible for the SACCOL project. From this meeting and a study of documents provided by Macro International we obtained an overall understanding of the nature and purpose of SO6, RP#6.2 and SACCOL.

*Interviews with Key Players:* Following the document reviews, we twice visited SACCOL's central office in Cape Town and interviewed the General Manager. These interviews focussed on a comparison of the activities and accomplishments of the Trust against the specific recommendations contained in the Ebony report. In addition, we visited three members of SACCOL's Board of Directors at their respective SACCO offices. The objective of the interviews was to establish whether or not SACCOL understood the stated purpose and objectives of the grant, as defined in the Agreement, and to gather information on its progress in achieving these.

*Survey of Trainees:* The main recipients of SACCOL "training" were SACCO Board members. The training consisted of monthly seminars of three to four hours duration, held over week-ends in both Johannesburg and Cape Town. Each seminar covered a different topic and between July 1997 and March 1998 an estimated 150 individuals attended these sessions. A sample of these trainees was interviewed by telephone. Section 5.4.3 describes the research methodology and the rationale therefor in more detail.

## **2. Background**

In 1994 USAID entered into an agreement with SACCOL the purpose of which is described below (taken directly from the Attachment 2 of the Agreement):

"The agreement will set a basis for a financially viable and self-sufficient savings and credit system in South Africa. This will be accomplished by assisting the Savings and Credit Cooperative League of South Africa (SACCOL) and its member cooperatives

(SACCOs) to achieve financial self-sufficiency through the development of a strong and financially viable membership.

### **3. USAID's Assistance Approach**

The grant issued on 14 August 1994 was for the amount of \$1.3 million (then R4 095 000) and was due to expire on 31 March 1997, but this was extended under Amendment 1 to 31 March 1998.

#### **3.1 Purpose**

The main purpose of the Agreement was to *“assist SACCOL and its member SACCOs to achieve financial self-sufficiency through the development of a strong and financially viable membership base”*. Further, it was intended that the Agreement would *“contribute to the development of community based finance in the Western Cape, Natal, Transvaal, Eastern Cape and Northern Cape by assisting in the establishment of 21 new community based financial institutions [which] will mobilise over R20 million in domestic savings and make this available for loans to individuals...”*

#### **3.2 Objectives**

The following objectives are aimed at accomplishing the organisational strengthening necessary to achieve the underlying purpose of the Agreement, that being the achievement of self-sufficiency by SACCOL and its member SACCOs.

- i. strengthening of existing SACCOs
- ii. establishment of new SACCOs
- iii. increasing the ability of SACCOL to deliver technical assistance
- iv. improving the management of SACCOL resources

#### **3.3 Self-sufficiency Program**

In August 1993, one year prior to the commencement of the Grant Agreement, SACCOL's Board formulated and adopted a self-sufficiency strategy, consisting of the following main elements: (i) consolidation of existing SACCOs into fewer, viable SACCOs; (ii) reduction of SACCOL's operating costs to a minimum without compromising its capacity to deliver technical assistance, educational services and national representation to SACCOs; (iii) focus on facilitating the establishment of new workplace-based SACCOs with significant savings potential; (iv) establishment of a development fund to underwrite the growth of existing and new SACCOs; appointment of an officer to manage special projects (e.g. housing savings and credit schemes in informal settlements)

#### **3.4 Implementation Plan**

A detailed implementation plan for achieving the self-sufficiency strategy described above was included in the original USAID Agreement as follows:

##### **1. *Improve SACCOL management systems***

###### **1.1 Reorganise SACCOL's management structure**



- 1.1.1 Assess strengths and weaknesses of present structure and personnel
  - 1.1.2 Reassign existing staff
  - 1.1.3 Recruit new staff
  - 1.1.4 Write new job descriptions
- 1.2 Retrain staff for new positions
  - 1.2.1 Ongoing training for individuals
  - 1.2.2 Development of new performance evaluation criteria and systems
  - 1.2.3 Evaluate effectiveness of training
- 1.3 Establish effective reporting and communication systems between Board and front line staff, and vice versa.
- 2. *Establish a development fund and operational policy*
  - 2.1 Establish fund and design operating policies and procedures to govern the use of the fund.
    - 2.1.1 Reassign staff to manage development fund contracts between SACCOL and SACCOs
    - 2.1.2 Train staff to manage development fund
    - 2.1.3 Establish a review committee and criteria for awards to development projects
- 3. *Establish and implement promotional campaign*
  - 3.1 Develop a promotional strategy for the workplace and implement the campaign
    - 3.1.1 Selection of appropriate media and presentation materials
- 4. *Introduce effective monitoring system*
  - 4.1 Develop and implement a monitoring system for SACCOs
    - 4.1.1 Determination of relevant criteria for monitoring SACCOs
    - 4.1.2 Determination of relevant criteria for internal monitoring of SACCOL
    - 4.1.3 Reassignment and training of staff to develop monitoring system
    - 4.1.4 Train SACCOs in how to make inputs to monitoring system
- 5. *Establish and bring into operation a special projects unit*
  - 5.1 Develop appropriate guiding policies and procedures
    - 5.1.1 Reassign and train staff to manage special projects
    - 5.1.2 Determine criteria for special projects
  - 5.2 Secure collaborative relationships with other donor organisations
- 6. *Development of training and education programs*
  - 6.1 Adaptation of Director Achievement modules for use in South Africa
    - 6.1.1 Training of SACCOL staff in use of revised CUDA modules
  - 6.2 Implement Board member training program using revised CUDA modules; SACCO

training program

### 3.5 Self-sufficiency Targets

To attain self-sufficiency, SACCOL's income from member SACCOs must exceed its total operating expenses. Its basic strategy was to achieve this through the reduction of operating costs and the increase in SACCO membership. In 1994, the following self-sufficiency targets, proposed by SACCOL and agreed to by USAID, were established.

**Table 1: Projected Self-sufficiency Targets 1994-1999**

Year	1994/5	1995/6	1996/7	1997/8	1998/9
Self-Sufficiency Target	10%	27%	43%	100%	100%
Projected Membership	4 900	12 600	18 920	26 504	35 605
Projected Assets	R4 020 000	R10 600 000	R16 520 000	R23 624 000	R32 148 800

Source: SACCOL (1998:5)

## 4. Summary of Main Findings and Recommendations of the Ebony Report<sup>1</sup>

The Ebony report presents its findings and recommendations in three main sections: organisational and strategic issues; training and development; and marketing and promotion. The report argues that, in order to achieve its intended goal of self-sufficiency, SACCOL must devote sufficient attention to developing capacity or products in all three of these key areas. Sections 4.1 to 4.3 summarise the Ebony findings which give a good overview of the situation in late-1996/early-1997. The Ebony recommendations are presented in Section 4.4.

### 4.1 Organisational and Strategic Issues

#### 4.1.1 Core Business

It was found that the concept of saving was not entirely embraced by SACCO members - the tendency was for members to see SACCOs mainly as sources of loans. Many confused SACCOs with stokvels and clearly did not understand the concept of shareholding. Ebony argued that the loan bias made SACCOs vulnerable to competitors offering loans with no savings requirements. The popularity of the "quick loans" (30%-60% interest over 3 to 5 months) offered by SACCOs suggested that interest rates on conventional loans could be raised without meeting with much resistance.

#### 4.1.2 Management Information Systems

Ebony considered the management information systems employed by SACCOL and SACCOs to be only marginally adequate for their levels of activity. Over one-third of the

SACCOs were unable to produce accurate financial or portfolio statements. (However, the installation, initially of the InfoCoopec, and later of the CUBIS software systems in each SACCO has subsequently improved this situation).

---

<sup>1</sup>Sub-sections 4.1 to 4.4 are in their entirety taken with permission from the report prepared by Ebony Development Alternatives (Pty) Ltd., entitled *Evaluation and Strategic Review of the Savings and Credit Cooperative League of South Africa (SACCOL)*, 26 May 1997. Although these sections represent a substantially condensed summary of the original, they do contain several verbatim phrases which, for the sake of fluency, have not been specifically identified or referenced.

#### **4.1.3 Membership**

Ebony cautioned that, for two reasons, the importance of promoting membership of community based SACCOs should not be ignored. Firstly, communities are less vulnerable to competing micro-lenders who generally target the workplace. Secondly, it was believed that there would be far more potential to establish the kind of SACCOs contemplated under the Special Projects objective in communities, rather than the workplace. Ebony felt that, despite the short-lived appointment of a Special Projects coordinator, this thrust had neither been adequately planned nor implemented.

The strategy of prioritising growth in workplace SACCO membership was considered sound and could potentially bring in large numbers of new members, provided that it occurred in parallel with the promotion of community based SACCOs. Trade unions represented a potential obstacle to the penetration of these markets, given that the process of establishing SACCOs was likely to be slower and that there existed potential for conflicts and confusion over the role of the union and that of the SACCO.

#### **4.1.4 Portfolio Performance**

Savings patterns generally appeared regular and “delinquency” (*i.e.* default) rates low. However, certain SACCOs charged unrealistically low interest rates and did little to enhance their prospects of expansion. The stronger SACCOs were found to be regularly paying dividends ranging from 3% to 12%. Savings deposit sizes varied across a wide range, which suggested the existence of a demand for a broader range of financial products.

Ebony found that SACCO loans were generally not used for enterprise development<sup>2</sup> and believed this to be an unexploited opportunity. It also placed an effective ceiling on interest rates, given that interest rate levels are related to repayment ability, which in turn is related to income levels. The argument here is that members of workplace SACCOs have relatively static incomes compared with owners of productive enterprises.

Ebony believed that, because it was held in a low yielding current account, the Central Finance Facility (CFF) was under-exploited as a source of income to SACCOL. However, SACCOL effectively had little choice in the matter because, as a result of their general inability to forecast cash requirements, SACCOs tended to request emergency funding from this source, on very short notice.

#### **4.1.5 Management and Staffing of SACCOs**

Certain SACCOs were against the idea of employing a full-time manager. In the absence of such an employee, the Board would be responsible for management - but in reality the bulk of the work would fall to one or two individuals. The high degree of inexperience and frequent unavailability of SACCO board members to undertake key strategic and management functions was identified as a problem in this regard. To some extent this problem was, at the time, being alleviated by SACCOL's downsizing and the redeployment of experienced staff to SACCOs. Ebony also noted that a clearer line needed to be drawn between the responsibilities of Board members and field workers and that both groups required training.

#### **4.1.6 SACCO-SACCOL Relationship**

---

<sup>2</sup>As at March 1998, the combined Loan Portfolio of all SACCOs reflected the following uses: housing (31%); car (14%); “quick loans” (2%); furniture (2%); business (3%); debt consolidation (3%); educational (8%); medical (1%); wedding (3%); funeral (4%); holiday (5%); clothing (1%); transport (2%); and “other” (21%).

The more successful SACCOs tended to be satisfied with SACCOL's service, but the less successful ones tended to depend more on SACCOL and be more critical if their expectations were not met. Ebony observed that SACCOL was unable to simultaneously attend to SACCO demands and national marketing, promotion and public relations. Ebony believed that the number of staff in the Western Cape office would have to double from four to eight, if SACCOL was to fulfill all of these functions.

## **4.2 Training and Development Issues**

### **4.2.1 Human Resources Policies**

Ebony was concerned that SACCOL's human resources manual did not contain training and development policies. Management had developed policies to deal with *ad hoc* training, but these did not relate to organisational strategy. The Canadian Cooperative Association (CCA) technical advisor was designated as the main provider of and conduit to management training and development, but the effectiveness of this arrangement had not been assessed.

Ebony noted that SACCOL had perhaps inappropriately included attendance at conferences and seminars in its definition of training, and observed that there were apparently no benefits from such attendance, in terms of improving SACCOL's training and development capacity.

### **4.2.2 Training and Development Strategy**

Ebony reported that SACCOL did not have a medium-term human resources development strategy, nor did it have policies that addressed the issues of succession planning, labour planning/allocation, career path planning, *etc.*

### **4.2.3 Training and Development Personnel**

SACCOL had no employees with training qualifications, or sufficient experience to: take control over the development of training materials; and to plan the integration of training into the broader human resources development strategy. Nor had it attempted to secure funding to acquire such a person. Ebony felt that management's attempts to perform this function had been ineffective.

### **4.2.4 Training Materials**

SACCOL's training materials consisted largely of promotional materials and by-laws on how to establish and manage SACCOs. This narrow focus was considered inappropriate, given that SACCOL training needed to reach five target areas, namely: SACCOL and SACCO Board members; SACCOL staff; and SACCO management and membership.

Ebony considered the existing training materials and the delivery thereof to be deficient in the following respects: poor outline and structure; language too complex for what were often semi-literate participants; haphazard and confusing style; lack of local relevancy in content; and lack of appropriately qualified and experienced presenters.

### **4.2.5 Training Budget**

SACCOL did not specifically budget for training.

## **4.3 Marketing and Promotion Issues**

### **4.3.1 Products**

The range of SACCO products was narrow, but this was considered appropriate for the existing membership - whose demand was mainly for loans. Ebony felt that it would be necessary to broaden the product range through the development of additional loan products and the promotion of shareholding/saving, if SACCOs were to succeed in attracting new members to new or existing SACCOs.

#### **4.3.2 Product Support**

Support for existing products was considered adequate, in terms of both level and quality. However, Ebony felt that neither the systems, procedures, nor supports were in place to service the projected membership and activity levels. Indications were that these could neither be developed nor implemented without restructuring and expanding existing resources. Generally, support services were inconsistent and often ineffective.

#### **4.3.3 Interest Rates**

SACCO loan interest rates were typically found to be about 10% below market rates for formal finance and between 40-60% below rates for informal finance. This was obviously detrimental to profitability and therefore sustainability.

#### **4.3.4 Market for SACCO Products**

Given the attractiveness of SACCO loan products in terms of: low interest rates; undemanding collateral requirements; and personalised service, Ebony expressed concern that membership levels had fallen so far short of the projected targets (in 1996 only 20% of the projected target of 12 600 had been achieved). Equally worrying was the finding that no strategic marketing plan existed to address this problem.

Notwithstanding the existence of a wide variety of SACCOs and SACCO markets, there appeared to be little understanding of how to tackle marketing. Where this understanding did exist, the structures and capacity to implement marketing initiatives were lacking.

#### **4.3.5 Market for New SACCOs**

There was apparent confusion over who (SACCO, SACCOL, or both) should initiate the establishment of a new SACCO in situations where the common bond (*i.e.* the shared motivation and characteristics of members) is identical, or similar, to that of an existing SACCO.

#### **4.3.6 Competitors**

Apart from an awareness of the identity of their competitors, SACCOs appeared to have relatively little in-depth knowledge of competitors' products and the extent to which these posed a threat. Such knowledge would clearly be useful as a guide to new product development.

#### **4.3.7 SACCO Understanding of Marketing and Promotion**

SACCOs tended to confuse marketing and promotional materials, often considering the latter to be all that was required. In general, promotional materials were found to be adequate. These included a video, instructional pamphlets, and newsletters. However, these materials were not produced within the context of a marketing strategy.

### **4.4 Ebony Recommendations**

#### **Organisational and Strategic Issues**

*Recommendation 1: Review and revise the responsibilities and skills of current SACCOL staff and devise new detailed job descriptions*

The main objective of this recommendation was to encourage SACCOL to define responsibilities, assess capabilities, and identify and fill gaps. Suggested outputs included: detailed job descriptions; resource map; human resource development plan; consulting and technical assistance outline.

*Recommendation 2: Design and implement a results-oriented trade union / company penetration strategy*

The objective in this case was to facilitate a rapid increase in the number of workplace SACCOs. Expected outputs included: the identification of target companies and unions against a timetable; and the negotiation of binding cooperation agreements with these organisations.

*Recommendation 3: Review and restructure technical assistance process and outputs*

The goal of this recommendation was to develop SACCOL's capacity: to gain greater control over its strategic and operational duties; and to become independent. Suggested outputs included: revision of agreements with donors; clear definition of required short-term technical assistance; and development of policy and procedures for obtaining ongoing technical assistance.

*Recommendation 4: Design and implement a results-oriented community penetration strategy.*

The objective of this recommendation was to encourage SACCOL to exploit the comparative advantage it enjoys in communities over other micro-lenders. Suggested outputs included: the development of a community penetration strategy; and the formulation of manageable objective indicators.

*Recommendation 5: Review and revise SACCO and SACCOL products, including the Central Finance Facility*

The main objective in this case was to facilitate an increased and more consistent income from current and expanded financial resources. Expected outputs included: an increase in the percentage interest earned on the CFF fund; a market analysis identifying potential savings and loan product gaps and the development of new products for piloting in selected areas; and cash flow budgets.

## **Training and Development Issues**

*Recommendation 6: Devise a training and development strategy*

The main objective of this recommendation was to improve the definition and organisation of training within the broader SACCOL/SACCO context. Suggested outputs included: the production of a training / development strategy document containing specific action plans.

*Recommendation 7: Secure funding for training and development budget*

The objective in this case was to ensure the delivery of specific training and development targets by securing appropriate levels of recurrent funding. Suggested outputs included: development of a fund-raising proposal; internal review of this document; presentation thereof to potential funders; and a commitment to the inclusion of training and development in the annual budget.

*Recommendation 8: Develop a human resources policy*

The goal of this recommendation was to encourage the further development of SACCOL's human resources policy (manual). Expected outputs included: the completion of the redeveloped manual taking into account new Labour legislation and including Training and Development policies.

*Recommendation 9: Define needs and recruit training and development staff*

The objective of this recommendation was to bolster SACCOL's capacity to design and deliver training and development products through the identification of appropriately skilled and experienced individuals. The expected output was the employment of contract and/or permanent training and development personnel.

*Recommendation 10: Develop comprehensive training materials and associated schedules*

The main objective in this case was to encourage the development of relevant and up to date training and development materials for SACCOL and SACCOs. The expected output was the production of these materials.

## **Marketing and Promotion Issues**

*Recommendation 11: Allocate marketing responsibility to one senior member of the SACCOL management team*

The main objective of this recommendation was to assign responsibility for, raise awareness of and focus resources on marketing. The expected output was the clear communication to management and staff of the cardinal role of marketing in the quest for self-sufficiency.

*Recommendation 12: Form a Marketing Task Team of five people from the SACCOL/SACCO network to work under the chairmanship of the Marketing Manager*

The objective in this case was to ensure the development of a Marketing Action plan and the provision of inputs into the general business development plan. Suggested outputs included: an emergency marketing action plan; the establishment of a forum for the discussion of strategic operational marketing issues; and the design of appropriate organisational responses.

*Recommendation 13: Develop a Strategic Marketing Plan for SACCOL which is integrated into its overall business development plan*

The goal of this recommendation was to provide a clear and practical marketing plan. Expected outputs included: a master plan for business development including criteria for performance assessment; marketing policies including market segment prioritisation; product and interest rate pricing policies; promotional strategy; staffing and resource policies; and communication strategy.

*Recommendation 14: Develop operational marketing plans for each SACCO, based on key elements of the Strategic Marketing Plan*

The objective of this recommendation was to develop action plans for each SACCO or groups of similar SACCOs, containing: guidance; proposed strategies; performance targets and methodologies for achieving these; and materials. Expected outputs included: a development plan tailored to suit each SACCO; targets and performance criteria; budgets for staffing and other resources; forecasts.

*Recommendation 15: Institutionalise the marketing process in all SACCOL and SACCO operations and modalities*

The main objective in this case was to sensitise management and staff to the importance of adopting and maintaining a marketing focus and to ensure the continuous support of efforts to increase membership. Expected outputs included: increased staff motivation; improved understanding of products; sharing of ideas and initiatives; and the introduction of market focussed thinking.

#### **4.5 Significance of the Ebony Recommendations to the Current Evaluation**

One of the main purposes of the Ebony report was to “recommend project adjustments toward the implementation of an accelerated sustainability strategy”. As noted above, fifteen recommendations were made (these are set out more fully in the Ebony report itself), with details of proposed methodologies for their accomplishment. These recommendations clearly played a very influential role in guiding SACCOL's focus and direction over the last year of the extended Agreement period.

While it is true that Ebony was aware that the USAID Agreement was due to end approximately ten months after the completion of the report, it must be recognised that the recommendations, in addition to suggesting short-term remedial actions, took a medium to long term view of SACCOL as an organisation and the likely nature of its future marketplace. At the time of the report SACCOL had placed itself under enormous pressure to deliver on its USAID Agreement commitments, which essentially meant that it had to do something about improving its self-sufficiency level, which then stood at a mere 2%. The shortest route to this was to downsize and drastically reduce operating costs. However, as noted below, downsizing put enormous pressure on the general manager and effectively precluded the possibility of implementing many of the recommendations, for which Ebony argued both additional financial and human resources (eight, rather than four, staff members) would be necessary.

Given the above situation, and the fact that the recommendations technically fall outside the scope of the original Agreement, we have only referred to them in the next section if SACCOL succeeded in implementing them. We believe that the original Agreement ought to have been revisited in light of the Ebony findings and amended as appropriate for the available level of funding.



## 5. Findings

### 5.1 Changes in the Organization of SACCOL

In terms of the original USAID Agreement, SACCOL was required to reorganise its management structure and establish lines of communication between the Board and the office.

SACCOL has evaluated its management structures on a continual basis. This has resulted in significant changes such as: the introduction in 1995/96 of two Development Officer positions, one in Gauteng and the other in the Western Cape; the termination of a separate Training Officer position in 1996/97; and recently, downsizing from a national staff complement of thirteen people to six - four in the Western Cape and two in Gauteng - in order to improve the organisation's self-sufficiency level.

SACCOL's Board and members have reviewed all personnel positions within SACCOL. The General Manager was appointed from within SACCOL's ranks and all staff are on contracts with personal achievement incentive clauses. Another form of incentive scheme has been introduced to assist in the creation of new SACCOs.

***Degree of Conformance with Intended Results.*** The achievements described above relate to parts of section 1 in the implementation plan (see section 3.4) and to parts of Ebony's recommendation 1 (see section 4.4).

***Discussion.*** SACCOL's recent downsizing has reduced staff numbers to the level where it would be physically impossible to deliver on all of the sub-components. In the 1994-1997 period of the Grant, efforts were made to restructure SACCOL and in early-1997, the Ebony recommendations provided a focus for how this could be developed further, but assumed that more staff would have to be employed (and resources found to finance this), and that an extensive expansion programme would be initiated. Neither of these two requirements were implemented in 1997/98, for the simple reason that SACCOL was faced with the impending expiry of the USAID Grant and the knowledge that this would involve an assessment of its performance. The main purpose of the Grant was to bring SACCOL and its affiliated SACCOs to full self-sufficiency. As already noted, SACCOL was way behind its targets. If it was to minimise the already negative perceptions USAID held of its performance, it essentially had to follow two courses - it had to rapidly gain a lot more fee and due paying member SACCOs, and it had to reduce its operating costs. It committed

most of its efforts to the latter, presumably because this would deliver faster results. But in so doing, it eliminated any possibility of implementing the Ebony recommendations that assumed a larger staff complement than remained after its downsizing.

### 5.2 Achievements

SACCOL's achievements over the period of the Grant Agreement are described below. Typically the format for this section is as follows. Firstly, the nature of the achievement is described; secondly, an indication is given of how it relates to the Agreement's implementation plan and/or Ebony recommendations; and finally, where deemed appropriate, critical discussion is presented.

### 5.2.1 Overall performance

The latest available confirmed data apply to February 1998 and put SACCOL at a level of 10% self-sufficiency - with 20 member SACCOs collectively representing 4 665 members and total assets of R7.8m.

***Degree of Conformance with Intended Results.*** The purpose of the Agreement was to assist SACCOL and SACCOs to become financially independent. The data above relate to this purpose and indicate that actual results have fallen far short of the targets set by SACCOL in the original Agreement.

***Discussion.*** It should be noted that USAID's role in terms of the Agreement was to provide the necessary bridging finance to enable SACCOL to grow its SACCO membership to a level determined by SACCOL as adequate to achieve self-sufficiency. Both the three year time period and the membership growth targets were set by SACCOL. The original intention was that SACCOL would facilitate the creation of 21 new SACCOs nationwide, through which R20 million of domestic savings would be mobilised and made available for loans. Ebony argued that SACCOL's lack of achievement was the result of its lack of: organisational structure; necessary human resources; training and development products and planning; and marketing strategy and capacity. Ebony made fifteen recommendations which it regarded as necessary to ensure the attainment of self-sufficiency. The extent to which SACCOL has or has not acted on these recommendations is discussed where appropriate in Sections 5.2 through 5.6.

### 5.2.2 Training and Development

A development fund was established in 1994/95 and the SACCO Technician was charged with its management. However, the fund is in SACCOL's opinion, too small to justify a full-time manager, so this position fell away in 1995/96. Over the following two years the Manager of Member Services was responsible for the fund, but this position was terminated in the 1997/98 downsizing exercise. Control over the fund now falls under the General Manager. Along with the establishment of the Fund, a Review Committee was formed and project criteria were developed.

Over the 1997/98 period training materials were produced. These were aimed mainly at SACCO Boards, but in some cases the materials are versatile enough to be appropriate for NGOs, trade unions and CBOs. Materials produced consisted of: a manual on how to start a new SACCO; and a distance education manual containing modules on SACCOs in general, organisational and financial management of SACCOs, risk management and lending (this document was produced by consultants and completed in July 1998).

In addition to the production of training materials, SACCOL has since June 1997 presented monthly half-day training seminars on a variety of topics covering all aspects of SACCO management.

***Degree of Conformance with Intended Results.*** The establishment of the development fund and review committee and the development of project criteria relate to parts of sections 2 and 6 of the implementation plan (see section 3.4) and parts of Ebony recommendation 10 (see section 4.4).

***Discussion.*** The detail, and to some extent the scope, of the Ebony recommendations on training and development far exceeds what was contained in the Agreement. The Ebony report spelt out exactly what needed to be done in the areas of policy, budget, staffing, management,

development of materials, *etc.* SACCOL had not done that much in this area, and, if the Ebony recommendations are taken as the measure of performance, it has done relatively little since.

Training and development is obviously a key area and SACCOL's poor performance in this area needs to be put in perspective as follows. SACCOL argues that it had never intended to use USAID funds for training and development, because one of its counterpart funders (the Irish League of Credit Unions (ILCU)) had promised funds for that purpose, which funds were never actually received. However, the Program Description in the Agreement notes that "providing training and education programs" is a "key function" (see section II, page 3 of Attachment 2) and the Implementation Schedule includes a section headed "Develop Training and Education Programs" (see section V, page 18 of Attachment 2).

Our interpretation of these statements is that they certainly *imply* that training and education are activities for which the USAID Grant could and should have been used. However, this interpretation is apparently contradicted by the absence of a line item in the Financial Plan permitting such expenditure (see page 2-1 of Attachment 1). An explanation for this might lie in the fact that SACCOL was expected to generate "significant internal income from member cooperatives to support its operations" and that the Canadian Cooperative Association (CCA) together with the Canadian International Development Association (CIDA) were expected to provide an on-site technical advisor who would "provide advice and training to the Board and SACCOL staff..." (see section II, page 7-8 of Attachment 2). Suffice it to say that the Agreement is not clear in this regard.

The above, however, is not the important debate at this stage. Far more important is the fact that the downsized SACCOL does not have the capacity to do most of what is spelt out in the Ebony recommendations.

### **5.2.3 Marketing and Promotion**

A video and a variety of pamphlets, newsletters, advertisements and seminars were all produced/presented prior to the Ebony evaluation in late-1996/early-1997. Since then, presentations have been made to: the national committees of most major trade union federations; to National Community Based organisations; and regional labour committees. Further, promotional articles have been included in local and national newspapers, and a documentary was broadcast on the Western Cape regional television slot.

***Degree of Conformance with Intended Results.*** The above activities relate to parts of section 3 of the implementation plan (see section 3.4).

***Discussion.*** SACCOL's achievements in marketing and promotion can be evaluated at two levels: the original agreement; and the Ebony recommendations. The original agreement essentially identified the workplace as the preferred target area for expanding existing, or nurturing new, SACCOS. SACCOL has performed well in this area to the extent that it may have facilitated the consolidation of workplace SACCOS or positively influenced trade union federations. However, growth in this or any other sector has clearly not occurred rapidly enough to have significantly contributed towards achieving the clearly over-optimistic self-sufficiency targets set out in the Agreement.

The Ebony report was rather critical of this approach. At one level it criticised the narrowness of the workplace focus, arguing that diversification would be a better risk-avoidance tactic (see recommendation 4). At another level, it criticised the fact that SACCOL apparently perceived

promotion and marketing as the same thing. This had resulted in the lack of personnel dedicated to marketing management and the lack of a marketing strategy and culture. The report suggested various changes considered necessary at the strategic, organisational and management levels, as prerequisites for the development of a sound marketing and promotional capacity within SACCOL. As noted above, SACCOL's downsizing made the implementation of most of the Ebony recommendations impossible. Downsizing was strategically the correct choice because it improved the self-sufficiency indicator. Ironically, though, it also served to retard any real prospects of rapid SACCO growth and the improved levels of self-sufficiency that should have resulted therefrom.

#### **5.2.4 Monitoring System**

SACCOL has purchased improved computer equipment, and where necessary has subsidised the purchase of software licenses (either InfoCoopec or CUBIS) for SACCOs.

The software package is specifically tailored for savings and loan cooperatives and serves as a reliable source of good management data for SACCOL and SACCOs alike. Data are used to monitor the financial position of SACCOs and to keep a check on key target ratios such as: percentage of assets out on loan, percentage contributions towards reserve fund and CFF; and percentage of assets invested in fixed assets.

In addition to the monitoring software, SACCOL has introduced two other components to its overall monitoring system. The first of these, the Five-Star monitoring system was introduced shortly before the expiry of the extended USAID grant and has been in operation for the past year. This system monitors the extent to which standard procedures are being followed. The second new component, the WOCCU PEARLS monitoring system was introduced after the expiry of the Agreement period and has been in use for the past three months. PEARLS is an acronym meaning: **P**rotection against losses; **E**ffective financial structure; **A**sset quality; **R**ates of return and costs (profitability); **L**iquidity levels; **S**igns of growth.

***Degree of Conformance with Intended Results.*** The above relates to parts of section 4 of the implementation plan (see section 3.4).

***Discussion.*** SACCOL did not initially design and develop a monitoring system - which was what the Agreement clearly intended. Rather, it identified appropriate software, ensured that it was installed at all SACCOs, and paid for it with Development Fund monies where necessary. Further, the planned reassignment and training of staff for the purpose of developing a monitoring system did not occur. However, the recent expansion of the monitoring system (*i.e.* introduction of Five-Star system and PEARLS) in the latter stages of the Agreement period, and in the post-Agreement period, has produced a system not dissimilar from what was intended in the Agreement.

#### **5.2.5 Special Projects**

The intended purpose of the Special Projects section was to work with member SACCOs whose prospects necessitated development assistance beyond the capability of SACCOL. Examples of planned projects include: "some projects in the Matatielle area"; and the African Meat Traders - which projects were essentially to establish new SACCOs. A staff member was assigned to the Special Projects portfolio in 1994/95, but due to fact that the expected "support by other local and international organisations" - the source of which was not specified in the Agreement - did not materialise, no special projects were undertaken.

***Degree of Conformance with Intended Results.*** Section 5 of the implementation plan (see

section 3.4) provides for the staffing and development of the Special Projects portfolio.

**Discussion.** SACCOL failed to achieve any more than the appointment (and later withdrawal) of a Special Projects Officer in the early stages of the Agreement. No special projects have been undertaken. Our impression is that SACCOL was having enough trouble getting its core function off the ground. Taken together with its downsizing, the effect on the organisation was that it simply did not have the capacity to deal with special projects. Nor had it the will to do so, because these projects were not considered essential to its core business or self-sufficiency strategy. All local and international organisations on whom SACCOL had been counting for support, reportedly also took this view on special projects and withheld their funding.

### **5.3 Non-achievement of Intended Results**

There would seem to be little point in analysing the original Agreement's implementation plan simply to highlight what was not done. We know from SACCOL's own internal reports and from the Ebony report that it had seriously under-achieved in terms of its main objective of self-sufficiency. This was clearly because it either did not, or could not, carry out most of the implementation plan. As noted above, we did not regard the recommendations of the Ebony report as contractually binding and have therefore not reported the extent of SACCOL's non-compliance therewith.

### **5.4 Compliance with Agreement**

#### **5.4.1 Rate of Progress**

As already noted, the original three-year Grant was extended to March 31, 1998 (Amendment 1). The period before 1997 was extremely unproductive and was characterised by lack of capacity at SACCO level and ineffective management of SACCOL. Under new management since early-1997, SACCOL has improved in many areas, guided to a large extent by the Ebony recommendations. However, its self-sufficiency target of 100% had still not been achieved by the end of the one-year extension.

#### **5.4.2 Deviation From Conditions of Agreement**

A problem that arose for SACCOL was that some of the counterpart funding it had been expecting was not forthcoming. Our interpretation of whether or not non-performance resulting from this constitutes a deviation from the Agreement, is as follows. If the counterpart funder is named in the Agreement and the amount of its contribution is presented in the financial plan as a specific line item for a specific task, then we believe that SACCOL's non-performance does not constitute a deviation from the Agreement. However, if the counterpart funder is not named in the Agreement and cannot be identified in the financial plan, then we believe that SACCOL's non-performance could be a deviation. This, however, would depend on whether SACCOL had any intention of performing in this capacity at all.

A case in point is the training component of the Agreement. SACCOL argues that training falls beyond the scope of the activities specified in the Financial Plan. This view is held notwithstanding the inclusion of training in the Implementation Schedule. SACCOL had expected the ILCU to provide the necessary funding, but when this was not forthcoming. In short, SACCOL argues that it is doing what it is doing in the training area because it chooses to, not because the Agreement obliges it to. For the reasons noted in section 5.2.2 we do not share this interpretation and believe that the situation could be interpreted in two ways. Firstly, it could be argued that SACCOL has been slow in finding an alternative counterpart funder, but

has not deviated from the agreement. Alternatively, it could be argued that SACCOL's contention that training was not meant to be funded by the USAID portion of the Grant is incorrect and that this problem should have been cleared up and, if necessary, the Agreement amended.

Apart from the above, we found no evidence of deviation from the conditions of the Agreement. Where non-performance was clearly the result of slower than anticipated growth, we regarded this as a rate of progress issue rather than a deviation from the Agreement.

#### **5.4.3 Results of Trainee Impact Assessment Survey**

In order to formulate an impression of the effectiveness of SACCOL's training activities, we conducted a telephonic survey of a small sample of ten SACCO Board members who have attended SACCO seminars. Each interviewee would typically have received a distance education manual and attended a number of seminars on various topics covered in the manual. For this reason the questions concentrated more on the delivery of training and the seminar format than on content.

The overall perception was that the seminars were very good, particularly because they involved small groups and permitted individual attention. It was felt by one respondent that some modules were too shallow, but the majority reported that all were excellent. Responses regarding how respondents had used the training were varied. Some reported that through the training they had become aware for the first time of the full extent of their responsibilities, while others indicated that they had used the experience to educate other Board members who had not attended seminars. Most respondents felt that the content was relevant and had been sufficiently adapted to South African circumstances. One respondent, however, felt that it was pitched at too high a level, and suggested that a simplified version aimed at extremely low-income contexts should be introduced in addition to the current material.

The respondents were generally very happy with the structure and presentation of the material. One respondent believed that the financial subject matter was pitched at those with an accounting background, and needed to be stratified into elementary, intermediate and advanced sections within modules. Those who gave concrete examples of skills acquired and things learned, tended to cite the financial material as having given them: the "ability to read financial statements", "a better understanding of finance"; and "an understanding of different types of assets".

The perceived long term benefits of the training were varied and included: the ability to train new Board members in-house; acquisition of life skills; and inter-SACCO collaboration as a result of debate around common issues at seminars.

The respondents were also generally happy with the presentation of the seminars. In general they regarded the presenters as good, but a minority felt that some training of the trainers was necessary. All of the respondents were happy that the material had been clearly communicated, and that the level of English was not too advanced.

Most respondents believed that the absence of a test on each module was a mistake. They felt that if the training was certified, attendance figures would improve, trainees would be motivated to get as much out of the seminars as possible, which in turn would enhance the quality of the learning experience for all.

Finally, respondents were asked to comment on the focus of the training, both in terms of target group and subject area. In this regard the content of the seminars was considered appropriate for Board members. However, it was reported that the Supervisory, Loans and Promotions & Training Committees (SACCO committees made up of members) desperately needed training to improve capacity at the operational level.

In summary, it appears that the seminars for SACCO Board members are effective. Indications are that they would reach more trainees if they were certified. However, there are clearly training needs at SACCO member level that are not being addressed (this was also noted in the Ebony report).

## 6. Growth Plans and Feasibility

In response to the Ebony recommendations SACCOL has developed a business plan (October 1998) in which it establishes growth targets. A weakness of this otherwise comprehensive action plan is that it fails to quantify and project SACCOL's operating costs, thereby making it impossible to calculate self-sufficiency targets. For example, reference is made in the plan to factors that will obviously affect operating expenses, such as: expenses relating to increasing staff numbers and the development of training materials; and income from the provision of technical support to SACCOs; *etc.* In addition, SACCOL is actively seeking funding from the ILCU and other new donors and is considering starting a SACCOL training college to serve the English-speaking African continent.

Without knowing the likely effect on net operating expenses of these changes, we are unable to comment accurately on the feasibility of the planned operations. Notwithstanding this problem, we are able to report SACCOL's projections as at October 1998 (see Table 2).

**Table 2: Projected SACCO Growth - 1998 to 2002**

	1998 <sup>1</sup>	1999 <sup>2</sup>	2000 <sup>2</sup>	2001 <sup>2</sup>	2002 <sup>2</sup>
No. of SACCOs	18	17	33	49	65
No. of members	4 586	9 195	21 605	46 855	65 655
Asset value @ millions)	7.8	14.0	23.9	44.4	49.1
Average Assets per member (R)	1 711	1 519	1 107	948	748

Source: Adapted from World Council of Credit Unions and Louisiana Credit Union League (1998), Attachment 9, pp.134-135.

**Notes:** <sup>1</sup> Actual present value; <sup>2</sup> Projected future values

The World Council of Credit Unions/Louisiana Credit Union League assessment report on SACCOL was optimistic about these projections and believed the South African SACCO movement to be "poised at the threshold of take-off [requiring only] modest additional inputs to sustain".

In our interviews we were told that the Louisiana Credit Union League is spearheading an approach to the African American Development Fund for \$100 000 per year for two to three years. SACCOL feels reasonably confident about obtaining this grant and would use it to fund two Development Officer posts. In addition, an approach has been made to the Irish League of Credit Unions for a grant of \$200 000 over five years. SACCOL does not consider it significant that a previous ILCU pledge of funding was withdrawn and believes that its recent improvement will have reversed any negative perceptions that might have been held by the ILCU.

Based on our limited knowledge of the Business Plan and the opinions of external assessors, we would assess the feasibility of the plan and the sustainability of SACCOL as an organisation as follows.

SACCOL has clearly recovered well from a disastrous start. However, at a crucial stage in its development, the organisation downsized and in so doing severely limited its potential to grow and develop along the lines recommended in the Ebony report. It would appear that, unless it can secure sufficient donor funding to underwrite its operating costs for approximately five years, SACCOL is not sustainable. Such funding would have to be sufficient to allow SACCOL to expand its Central Office staff by at least two managerial level employees in addition to the two Development Officers it requires. The feasibility of its business plan is impossible to assess, because no detail is given of projected operational and developmental costs. We would, in any event, be reluctant to endorse or comment on the reasonableness of the projections, given the recent history of the USAID Grant where with the benefit of hindsight, the projections turned out to be extremely overambitious. Internal and external factors such as those discussed in the following section, make it even more difficult to assess feasibility with any degree of reliability.

## **7. Unanticipated Consequences**

Perhaps the most serious unanticipated problem that SACCOL encountered was the withdrawal of counterpart funding or “support” which had been earmarked for special projects and training. Aside from the debate about whether SACCOL’s non-performance in these areas constituted a deviation from the Agreement, the effect was that SACCOL could not or did not perform against certain elements of the implementation plan.

A further external factor that could significantly affect SACCOL’s performance is the recent downturn in the economy. Although this was not really a factor during the period of the Agreement, it certainly is at present and will be in the short term future. The effect of economic recession is a general disinclination to save and a surge in demand for various loan products. From our interviews in the field we discovered that SACCOs are experiencing a decline in the number of savers, and that in the workplace SACCOs membership levels are being affected by retrenchments. Both of these factors are clearly the result of the economic downturn and do not auger well for the short-term growth prospects of the SACCO movement.

## **8. Lessons Learned**

With the benefit of hindsight, it is clear that the self-sufficiency targets set by SACCOL were unrealistic. Equally clear is the fact that the organisation was not managed very efficiently during the first two-and-a-half years of the term of the Agreement. It might be unreasonable to suggest that these factors could have been foreseen, but they serve to illustrate the



importance of USAID ensuring in future that its grant agreements contain attainable performance targets and that managers of grantee organisations have proven track records.

## **9. Conclusion**

SACCOL has been partially successful in meeting the requirements of its agreement with USAID. However, the following areas were not fully addressed as conceived in the Agreement: improving management systems; establishing a development fund and operational policy; establishing and implementing a promotional campaign; introducing an effective monitoring system; establishing and bringing into operation a special projects unit; and the development of training and education programs. Because of this, SACCOL has also not been able to achieve the important requirement of self-sufficiency of itself or its SACCO members. There has, however, been a major turnaround in the last year of operations but not with respect to self-sufficiency.

In terms of the Agreement, SACCOL committed itself to becoming self-sufficient within a specific time (*i.e.* by March 1998). Due to not having attained the anticipated growth in SACCO membership and assets, SACCOL attempted to improve its self-sufficiency level by downsizing its staff, but this resulted in the organisation being under-resourced and consequently unable to implement many of the recommendations of the Ebony report.

The Ebony report has provided SACCOL with a strategy which should ensure the future success of the organisation if funding is available. This strategy requires expansion of the organisation rather than downsizing.

SACCOL is very vulnerable to the economic downturn that the country is presently experiencing in that the employment rate and the propensity for people to save is decreasing.

## **10. Recommendations**

The recommendations made in the Ebony report need to be followed. These are:

- C interest rates on loans should be increased
- C improve management information systems
- C SACCO membership should be extended beyond that of employees at the workplace
- C improve the management of SACCOs
- C training and development activities need to be improved; a specialist training manager needs to be employed and the focus of training material needs to be broadened; a special budget item for training needs to be introduced
- C SACCOL needs to develop a medium-term human resources development strategy
- C broaden the product range
- C support for existing products needs to be improved
- C a strong marketing strategy needs to be developed
- C develop a stronger understanding of the competition

However, much of the above will be unachievable unless ongoing donor funding is secured from sources other than USAID.

## **12. References/Bibliography**

Ebony Development Alternatives (1997), *Evaluation and Strategic Review of the Savings and Credit Cooperative League of South Africa (SACCOL) - Final Report.*

SACCOL (1998), *USAID Final Report August 1994 - 31 March 1998.*

World Council of Credit Unions and Louisiana Credit Union League (1998), *(Draft) Assessment Report on the Status of the South African SACCO Movement.*

# ANNEX A

## EVALUATORS' SCOPE OF WORK

### A.1 Scope of Work

In terms of our agreement with Macro International Inc. we were commissioned to conduct a performance evaluation of SACCOL, the scope of work being as follows:

- C review relevant information sources and interview representatives from Grantee organisations with a view to establishing the aims and objectives of the Grant and how these link with USAID's SO6 goals
- C assess the current status of the Grant in terms of individual accomplishments and in comparison to the intended results agreed on by the Grantee and USAID
- C for RP#2 Grants, meet with the CUSSP Project Officer to gain an understanding of the projects and how the project preparation trusts were to relate to the former CUSSP project
- C identify and discuss the rationale for any transformation or changes that have occurred in the organisation
- C determine and show whether or not results have been achieved and goals met, and whether this was done within the agreed upon Grant arrangements
- C for all performance levels, assess the rate of progress/non-progress
- C for training-related components of the performance assessment, conduct a trainee impact assessment survey. This should address the following questions:
  - a) what was the trainees' perception of the training experience?
  - b) whether trainees are using the experience gained, and how?
  - c) whether the training has impacted on the professional life of trainees, and how?
  - d) what concrete examples can be provided of things learned?
  - e) what do trainees' envisage will be the long-term benefits of training received?
- C indicate whether there were any unanticipated positive or negative consequences and how these impacted on the program
- C highlight lessons learned by or through the Grant and identify best practices
- C make suggestions and recommendations regarding the overall performance and future activities of the Grantee and USAID
- C if necessary, debrief Grantees and organisations prior to departure

## **A.2 Revision to Scope of Work and Implications for Methodology**

As noted above, a recent (May 1997) evaluation and strategic review of SACCOL was undertaken by Ebony Development Alternatives (Pty) Ltd., which resulted in a comprehensive report. Given the recency and uncontested accuracy of this report, we consulted with USAID via Macro International, with a view to amending the above terms of reference. It was agreed that we would adopt the Ebony report as a starting point for the current evaluation and focus on SACCOL's performance since then, with a view to establishing the feasibility of SACCOL's projections for the next two years in terms of its potential long-term sustainability. Given the depth and breadth of the Ebony report, which outlines a fifteen point plan for the restructuring of SACCOL, and SACCOL's relative lack of achievement in terms of those points, this proved more difficult than anticipated. We therefore adopted a combination of the Ebony recommendations and the original implementation strategy as criteria for evaluating performance. However, it should be noted that the Ebony recommendations are precisely that - and are not in our view enforceable conditions of the Agreement. Nor do they in any sense represent an amendment to the original implementation plan.

The main implication of adopting this approach was that we made no attempt to re-gather empirical data that had already been reported in the Ebony document and included a detailed summary of the content and recommendations of this document in the current report. A report prepared by the World Council of Credit Unions/Louisiana Credit Union League, released in October 1998 and whose accuracy was similarly uncontested by SACCOL, was also made available to us. We thus used this report as a source document/substitute for empirical research.

## **ANNEX B SYNTHESIS : RESULTS CONTRIBUTION TO SO6 RP#2 AND SO6**

### **B.1     Synthesis : Results Contribution to SO6 RP#2 and SO6**

#### **SO6 Results Package #2: Shelter Finance**

Intermediate Result #6.2: *Previously ineligible households, developers, builders and municipal service providers obtain access to credit for shelter and urban services*

In terms of the IR-level indicator; 'rand value of credit obtained by HDP homeowners, builders/developers and service providers', SACCOL has been partially successful with regard to employees who happen to be homeowners. There is, however, no control exercised in how these loans have been used by employees. It is possible that some of these loans would have been used for the purchase of new houses. In addition, if one accepts that approximately 80% of housing need is generated by those earning less than R1 500 per month, this activity, because it is aimed only at the formally employed, has had no impact at the level of income where support is most needed.

**SO6 Goal:**        ***Improved access to environmentally sustainable shelter and urban services for the historically disadvantaged population***

The *environmentally sustainable* aspect of the SO6 goal does not appear to have been a factor with respect to SACCOL's activities; its lending operation is far removed from the development of housing projects. Other aspects of the goal have been partially achieved but in a non-sustainable manner. The SO6 housing strategy is 'designed to support the national effort to adequately house the disadvantaged majority'. Much of SACCOL's effort does not relate to the lowest income cohort where the majority of the housing need lies - a point made above. SACCOL's activities only relate to access to urban services insofar as borrowers might use their loans on the purchase of new houses, but it appears that virtually all loans were used to fund improvements to existing housing.